FISCAL NOTE

Bill #:	HB0752	**Title:**	Revise alternative livestock laws
Primary Sponsor:	Ripley, R	**Status:**	As Introduced

Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
State Special Revenue	$25,267,864	$0
Revenue:		
State Special Revenue	($8,658)	($8,658)
Federal Special Revenue	($12,156,387)	($12,156,387)
Net Impact on General Fund Balance:	$0	$0

- ☐ Significant Local Gov. Impact
- ☐ Included in the Executive Budget
- ☐ Dedicated Revenue Form Attached
- ☒ Technical Concerns
- ☒ Significant Long-Term Impacts
- ☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Fish, Wildlife and Parks

1. There are 78 alternative livestock facilities licensed by the Department of Fish, Wildlife and Parks.
2. All 78 licensed facilities will voluntarily participate in the chronic wasting disease mitigation program.
3. For purposes of this fiscal note, all alternative livestock animals will test negative for any disease regulated by the Department of Livestock.
4. For purposes of this fiscal note, all inventoried animals will be disposed of by the end date of the program.
5. For purposes of this fiscal note, all costs will be shown in FY 2004. There is no reasonable means to determine when the payments will be made over the period of the program.
6. The animal inventory figures as of December 31, 2002, include 510 calves, which were equally divided between males and females. To reach July 15, 2003, anticipated inventory values for this fiscal note, an additional 510 calves divided equally between males and females have been added. (2,022 male alternative livestock at $2,500/each = $5,055,000)(2,731 female alternative livestock at $1,700 = $4,642,700)
7. Fencing costs will be calculated for exterior fences only based on an average facility size of 160 acres with a minimum of two miles of fence/facility. Per this bill, $3.50/foot will be paid. (5,280 feet x 2 miles x $3.50 x 78 facilities = $2,882,880)

8. For purposes of this fiscal note, FWP assumes that all 78 licensed facilities have handling and quarantine facilities at an average cost of $10,000/facility. (78 facilities x $10,000 = $780,000)
9. Ten of the 78 licensed facilities will opt for the compensable value of a fee harvesting business rather than the value of a breeding license. Under this option, the license termination compensation is five times the gross revenue of a licensee using an average of the licensee's highest two calendar years while in production. These 10 facilities collectively averaged a harvest of 294.5 animals/year during the highest two calendar years. The average price for a harvested animal is $6,000 per testimony given by an industry representative at the March 18, 2003, House Ag Subcommittee hearing on LC2169. (294.5 x $6,000 x 5 = $8,835,000)
10. The remaining 68 license facilities will opt for the compensable value of a breeding license rather than the value of a fee harvesting business. Under this option, license termination compensation is based upon the maximum number of alternative livestock that an individual licensee is authorized to hold on the facility. FWP records indicate 16 facilities valued at $20,000; 29 facilities valued at $40,000; and 23 facilities valued at $60,000. (16 x $20,000 plus 29 x $40,000 plus 23 x $60,000 = $2,860,000)
11. The FWP will spend $200,000 of general license dollars for the surveillance of the wild deer and elk populations for chronic wasting disease in the areas surrounding alternative livestock ranches.
12. In FFY 2003, there was $12,156,387 of federal Wallop/Breaux and Pittman/Robertson apportioned to the State of Montana for fish and wildlife related activities. If this bill passes as written, and FWP uses license fees to pay program participants, the USFWS will determine Montana to be in diversion of federal requirements. FWP will remain ineligible to receive federal funds until all license dollars are repaid from a non-license funding source.
13. Costs to implement this bill will be absorbed by existing staff.

Department of Livestock

14. In accordance with §15-24-922, MCA, the Board of Livestock annually sets the per capita fee for all livestock, including domestic ungulates. Presently the fee is $19.95 per head for domestic ungulates and a reported head count of 3,103. Thus, the anticipated revenue is $60,666 after a two percent collection fee has been paid to the Department of Revenue. Also, the Department of Livestock receives an average of $8,600 a year from alternative livestock license fees collected by the Department of Fish, Wildlife and Parks. The total state special revenue anticipated from both sources is $69,266.
15. HB 752 allows alternative livestock producers to be compensated for voluntarily eliminating their herd. Producers must decide by July 1, 2003, but then have until December 31, 2007, to forfeit their license. It is estimated that 50 percent of the producers will initially notify the FWP that they will eliminate their herds and take advantage of the compensation by December 31, 2007. It is projected that 25 percent of the producers who participate will have their herd eliminated and forfeit their license each year of the four-year period.
16. The Department of Livestock state special revenue loss based upon assumptions 14 and 15 above are computed as follows:

Per Capita Fee Loss:	$60,666 x .50 = $30,333 x .25 annual loss =	$7,583
License Revenue Loss	$ 8,600 x .50 = $ 4,300 x .25 annual loss =	$1,075
Total Annual Revenue Loss to DOL		$8,658

17. It is assumed that the producer will bear the cost of disease testing of slaughtered alternative livestock as per existing administrative rule even if Section 1 paragraph 4 (g) of this proposed legislation passes.
18. In order to certify fencing claims, as required in Section 2 paragraph 5 (b), the Department of Livestock will contract with an agent to travel to each participating ranch and measure the footage of each claimed fence. The contractor will be paid $25 per hour plus state mileage and per diem. It is assumed the contractor will travel a total of 2000 miles, and require 45 days per diem, and 42 overnight stays.
   The cost to the Department of Livestock will be $12,284.

Fiscal Note Request HB0752, As Introduced
(continued)

FISCAL IMPACT:

	FY 2004 Difference	FY 2005 Difference
Department of Fish, Wildlife and Parks		
Expenditures:		
Operating Expenses	$25,255,580	$0
Funding of Expenditures:		
State Special Revenue (02)	$25,255,580	$0
Revenues:		
Federal Special Revenue (03)	($12,156,387)	($12,156,387)
Department of Livestock		
Expenditures:		
Operating Expenses	$12,284	$0
Funding of Expenditures:		
State Special Revenue (02)	$12,284	$0
Revenues:		
State Special Revenue (02)	($8,658)	($8,658)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
State Special Revenue (02)	($25,276,522)	($8,658)
Federal Special Revenue (03)	($12,156,387)	($12,156,387)

LONG-RANGE IMPACTS:

1. Payments under this bill will drain the FWP general license fund balance and important agency programs will need to be significantly reduced and/or eliminated. Unless a new revenue source is identified, a resident and nonresident fee increase will be required by this Legislature to fund the requirements of this bill. In addition, the loss of over $12 million of federal funds annually will continue until all license dollars are repaid from a non-license funding source.
2. There would be a loss in revenue to the Department of Livestock of $8,658 in FY 2006 and FY 2007 as well as in the 2005 biennium.
3. The Department of Livestock will need to maintain existing staff at least until 2007 to administer the program with half the funding and increased operational costs for fence certification. The Department of Livestock does not have other sources to cover the revenue loss or the cost of the contracted services. The revenue loss and the fence certifying costs will have to be borne by the alternative livestock producers through either a fee for service or a substantial increase in per capita fees.

TECHNICAL NOTES:

1. This bill is not clear as to ownership of facilities, fencing, and livestock once the state makes payment to a program participant.
2. This bill is also unclear as to what happens if a program participant defaults on the contract, i.e., repayment of money already received.